

SUBMISSION BY Grant Nelson Trustee of The Gama Foundation
P.O. BOX 6066 CHRISTCHURCH 8442

I am an accountant and economist and 25 years ago I sold a large business and put the proceeds into a charitable trust. We have taken a different approach to helping the disadvantaged by trying to do something about the Government decision-making which rewards those who are well off and has led to steadily increasing disadvantage.

In 2012 our charitable trust established the Institute for Governance and Policy Studies at Victoria University to get research done on how those with money use lobbying, political party donations and other means to get the decisions they want from officials and political parties.

Over the past few decades there have been many news media stories about low wages, unaffordable housing, child poverty, inequality and environmental damage but a problem has to get really bad before anything gets done to try to deal with it. This is because a major objective of political parties is to get funds for social media and election campaigns so that they can get or retain power. They have to continually payback those who provide them with money and other favours. They have a record of ignoring major problems for many years until they are embarrassed into trying to do something.

Inequality has been getting steadily worse for many years and playing around with policies to try to help the disadvantaged is not going to make much difference while those with money get the decisions they want.

If taxpayers and charities do more to help the disadvantaged, this will only help those with money keep paying low wages to the human resources they use and will increase their wealth and their ability to get the decisions that benefit them at the expense of the community and future generations.

Our labour, consumer protection and other laws which impact on the disadvantaged are worse than in most OECD countries and this needs to change.

We need the same or better rules to control lobbying, political party donations and the other activities of vested interests as many other countries have, such as Canada and Ireland.

WAGE SUBSIDY CASE STUDY

We have done a lot of research on the wage subsidy and it is a good case study of what goes on. (summary documents available on request)

In March last year Business New Zealand promoted a wage subsidy scheme at a meeting with Treasury officials and Ministers. The scheme was approved two weeks later and as a result, many thousands of millions of dollars of wage subsidies were paid to businesses who did not need assistance or who failed to make repayments when it became clear that they

had been overpaid. A recent report by the Auditor-General was highly critical of management of the wage subsidy, including the failure to request verifying evidence to check claims, the failure to write to recipients and request repayments and the failure to prosecute anyone. It has been estimated that over \$5,000 million of wage subsidies were wrongly obtained or retained.

There have been over 150 news media reports about abuse of the wage subsidy and 5300 complaints made but officials have done nothing about them. An Auckland woman received \$35 million and the largest payment was \$113 million.

The Auditor-General said that it was critically important that those who abused the scheme were prosecuted but no-one has been prosecuted. This is a huge contrast to the way beneficiaries are investigated and prosecuted for relatively small amounts.

Figures received from the IRD show that business profitability increased 14% in the 9 months to 30 September 2020, even without taking into account the \$14 billion wage subsidy they received. Reserve Bank figures show that businesses had \$ 22.7 billion or 24% more in the bank in October 2020 than 12 months earlier. Late last year the Government was predicting that child poverty would strongly increase and a recent report said that the increase in 2020 was 10%.

There has been a huge transfer of wealth to those who are already well off and this will further encourage them to use their money and influence to get the decisions they want. The thousands of millions of dollars that have been given away for no good reason will mean that any assistance for the disadvantaged will be very limited and the debt incurred will be a burden on current and future generations.